

Message Text

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TO USMISSION OECD PARIS PRIORITY

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E.O. 11652: N/A

TAGS: ENRG, IEA

SUBJECT: IEA/SLT: REDUCED DEPENDENCE EXERCISE

OECD: PLEASE PASS TO MR. K. YOKOBORI, IEA SECRETARIAT
FROM P. KELLY

FOLLOWING IS TEXT OF DANISH REPORT AS FINALIZED HERE.
CHANGES ARE ESSENTIALLY STYLISTIC. SUGGEST YOU GET
DERMO'S AGREEMENT TO CHANGES BY PHONE AND THEN ISSUE REPORT;
BALANCE SHEETS OK EXCEPT THAT ON PAGE 7 NO FIGURES SHOULD
APPEAR IN COLUMN HEADED ELECTRICITY. ALSO YOU SHOULD
CHECK THAT THE FIGURE OF 11.3 SHOWN FOR NET OIL IMPORTS
IS CORRECT IN THAT BASE DOCUMENT GAVE 12.8.

A. STATUS OF ENERGY BALANCES:

DENMARK ESTIMATES THAT OIL IMPORTS WILL DECREASE
FROM 16.6 MTOE IN 1975 TO 12.8 MTOE IN 1985. THIS OB-
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JECTIVE IS BASED ON A SMALL INCREASE IN TPE (18.4 MTOE
TO 20.4 MTOE) AND INCREASED ENERGY PRODUCTION (0.1 MTOE
TO 4.5 MTOE).

THE ENERGY BALANCES SUBMITTED SHOW AN ANNUAL RATE
OF GROWTH OF TOTAL ENERGY CONSUMPTION OF 1.2 FOR 1975-
1985. SINCE GNP IS ASSUMED TO GROW AT A RATE OF 3.8

PERCENT ANNUALLY, A 26 PERCENT REDUCTION OF TPE/GDP IS EXPECTED BY THE MID 1980'S. OVERALL OIL CONSUMPTION IS EXPECTED TO DECREASE BY 3.0 MTOE TO A 1985 LEVEL OF 13.1 MTOE.

THE ENERGY BALANCES REFLECT THE GOALS SHOWN IN THE DANISH ENERGY PLAN WHICH THE GOVERNMENT IS COMMITTED TO IMPLEMENT.

B. ADEQUACY OF CONSERVATION/SUPPLY MEASURES

THE DANISH ENERGY PLAN COMPLETELY SUPPORTS THE IEA OBJECTIVE OF REDUCING DEPENDENCE ON IMPORTED OIL.

ACHIEVEMENT OF ENERGY BALANCES BY 1985 DEPENDS ON IMPLEMENTATION OF MEASURES IN THE FOLLOWING AREAS: CONSERVATION, WASTE HEAT RECOVERY, ACCELERATED INDIGENOUS HYDROCARBON PRODUCTION, INTRODUCTION OF NATURAL GAS AND SWITCHING TO COAL.

IN THE JUDGEMENT OF GOVERNMENT OFFICIALS, A MAJOR ELEMENT OF THE OVERALL ENERGY STRATEGY, NUCLEAR ENERGY, PROBABLY WILL NOT BE ABLE TO CONTRIBUTE TO ENERGY BALANCES BY 1985 ITS PLANNED LEVEL OF 1.2 MTOE. THIS WILL CALL FOR ADDITIONAL EFFORTS IN OTHER SECTORS TO ACHIEVE OIL IMPORT GOALS.

1. CONSERVATION

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THE DANISH ENERGY PLAN ENVISAGES THE MOST COMPREHENSIVE AND INTENSIVE CONSERVATION PROGRAMME IN THE IEA.

THE STRINGENCY OF CONSERVATION OBJECTIVES IS REFLECTED BY THE FOLLOWING PROJECTED ANNUAL GROWTH (DECLINE) RATES FOR ENERGY DEMAND IN THE MAIN CONSUMING SECTOR IN THE PERIOD 1975-1985.

YEARLY AVERAGES (PERCENT)

- INDUSTRY	4.8
- TRANSPORT	2.4
- RESIDENTIAL/COMMERCIAL	- 1.8

THE MOST AMBITIOUS TARGET IS THAT ESTABLISHED FOR THE RESIDENTIAL/COMMERCIAL SECTOR WHICH EXHIBITS NEGATIVE GROWTH OVER THE DECADE. THE GOVERNMENT IS AWARE OF THE IMPORTANCE OF FULL IMPLEMENTATION OF MEASURES FOR THIS SECTOR, ESPECIALLY THOSE CONCERNING IMPROVED INSULATION FOR NEW AND EXISTING BUILDINGS. THIS REDUCTION IN ENERGY CONSUMPTION WILL REQUIRE ADMINISTRATIVE MEASURES, AND MORE

ENERGY EFFICIENT USE OF EXISTING EQUIPMENT, SUCH AS BOILERS BUT WILL DEPEND PRIMARILY ON SUBSTANTIAL INVESTMENTS REQUIRED TO REDUCE ENERGY CONSUMPTION IN THE RESID-

DENTIAL/COMMERCIAL SECTOR WHICH ARE ESTIMATED AT 10.5 BILLION D.KR. IN THE PERIOD 1975 TO 1985. TO ASSIST IN THE IMPLEMENTATION OF THIS PROGRAMME THE GOVERNMENT HAS SUGGESTED STATE GRANTS OF 450 MILLION D.KR. PER YEAR IN EACH OF THE NEXT FOUR FISCAL YEARS; THE YEARLY TOTAL INVESTMENT WILL BE ABOUT 1.5 BILLION D.KR. FINANCING FROM PUBLIC FUNDS WILL PROBABLY BE SECURED BY A PROPOSED ENERGY TAX ON OIL PRODUCTS.

AS TO THE IMPROVEMENT OF THE ENERGY EFFICIENCY IN INDUSTRIAL PROCESS, A BILL IS NOW BEING CONSIDERED BY PARLIAMENT WHICH WOULD PROVIDE FINANCIAL GRANTS TO INDUSTRY TO INTRODUCE ENERGY EFFICIENT EQUIPMENT AND UNCLASSIFIED

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TECHNOLOGY.

IN SUMMARY 1985 CONSERVATION TARGETS ARE VERY AMBITIOUS AND CAN ONLY BE REACHED IF ALL THE MEASURES PRESENTED BY THE GOVERNMENT ARE FULLY ADOPTED AND RAPIDLY IMPLEMENTED.

2. DOMESTIC OIL PRODUCTION

GOVERNMENT OFFICIALS ESTIMATE THAT OIL PRODUCTION FROM THE DANISH SECTOR OF THE NORTH SEA COULD BE 2 MILLION TONS BY 1985. NEVERTHELESS, THIS FIGURE CANNOT BE CONSIDERED AS FIRM UNTIL THE FIELDS IN QUESTION ARE DECLARED COMMERCIAL BY THE CONCESSIONAIRES, WHICH IS EXPECTED TO TAKE PLACE IN 1978.

3. NATURAL GAS

RECENT ENCOURAGING RESULTS IN GAS EXPLORATION COULD RESULT IN POTENTIAL YEARLY PRODUCTION OF 2 MTOE; A GAS REPORT WILL BE ISSUED BY 1978. COMMERCIAL EXPLOITATION OF DANISH NORTH SEA GAS WOULD BE NOTABLY HELPED IF DANISH FIELDS COULD BE LINKED TO AN INTERNATIONAL TRANSMISSION SYSTEM.

NEGOTIATIONS ARE UNDER WAY WITH REGARD TO THE POSSIBILITIES OF PROVIDING NORWEGIAN NATURAL GAS SUPPLIES TO DENMARK AND SWEDEN. CONSIDERING THAT THE TOTAL GAS INFRASTRUCTURE SYSTEM HAS TO BE BUILT, IT MAY BE DIFFICULT TO IMPLEMENT THE ENTIRE GAS UTILIZATION PROGRAMME BY 1985.

4. ELECTRICITY GENERATION

ELECTRICITY GENERATION IN DENMARK IS ALREADY
CHARACTERIZED BY A HIGH DEGREE OF FLEXIBILITY RESULTING
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FROM THE LARGE PROPORTION OF INSTALLED CAPACITY MADE
UP OF DUAL-FIRED STATIONS.

IN 1975 COAL ACCOUNTED FOR ABOUT 35 PERCENT OF TOTAL
INPUT TO POWER PLANTS; THE OBJECTIVE SET OUT BY THE DANISH
GOVERNMENT IS TO REACH, BY 1985, A LEVEL OF COAL
CONSUMPTION OF 3.7 MILLION TONS OF OIL EQUIVALENT (ABOUT
60 PERCENT OF INPUT TO POWER PLANTS)
GOVERNMENT OFFICIALS
SAID THAT COAL SHOULD COVER ANY INCREASES IN ELECTRICITY
DEMAND BEYOND THESE ENVISAGED IN THE PLAN.

DESPITE DELAYS IN THE NUCLEAR POWER PROGRAMME BEYOND
1985 THE USE OF NUCLEAR POWER IS STILL A VIABLE OPTION.

EFFORTS ARE ALSO BEING MADE TO INCREASE DEVELOPMENT
OF HEAT SUPPLY FROM COMBINED POWER/HEAT PRODUCTION.

5. ENERGY BALANCES

SLT CONCLUDED ENERGY SUPPLY BALANCES COULD BE ACHIEVED
THOUGH WERE NOT FULLY CONVINCED DENMARK COULD ACHIEVE
ITS AMBITIOUS ENERGY DEMAND BALANCES.

C. SUPPLY/CONSERVATION MEASURES TO REINFORCE SUBMITTED
ENERGY PROJECTIONS

1. ADOPTION AND RAPID IMPLEMENTATION OF CON-
SERVATION MEASURES PROPOSED BY THE DANISH GOVERNMENT
ESPECIALLY INCENTIVES FOR RETROFITTING EXISTING HOUSES
FINANCED BY A PROPOSED ENERGY TAX. ADDITIONAL MEASURES
SHOULD ALSO BE CONSIDERED:

(A) INDUSTRY

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- INFORMATION AND EDUCATION FOR THE SMALL AND MEDIUM

INDUSTRIES (MEETINGS, SEMINARS, ADVICE SERVICE, BROCHURES, ETC.,) AND TARGET-SETTING, REPORTING AND AUDITING FOR THE ENERGY INTENSIVE INDUSTRIES.

- FULL INCREMENTAL COST PRICING FOR GAS, ELECTRICITY AND HEAT.

- PEAK LOAD PRICING, THERMAL STORAGE AND OTHER LOAD MANAGEMENT TECHNIQUES TO IMPROVE THE LOW LOAD FACTOR OF THE UTILITIES.

2. SUSTAINED EFFORTS TO ENSURE THE DEVELOPMENT OF NATURAL GAS FIELDS IN THE NORTH SEA AND TO BUILD THE TOTAL INFRASTRUCTURES NECESSARY TO INTRODUCE NATURAL GAS.

3. CONTINUATION OF POLICIES AIMING AT INCREASED USE OF COAL, PARTICULARLY IF ELECTRICITY DEMAND GROWTH IS HIGHER THAN CURRENTLY FORECASTED.

4. CONTINUED GOVERNMENT COMMITMENT TO THE TIMELY INTRODUCTION OF NUCLEAR POWER AS AN ALTERNATIVE TO IMPORT-ED OIL.

5. DANISH GOVERNMENT SHOULD INCREASE EFFORTS TO ASSESS ENERGY RESOURCES IN DANISH TERRITORY.
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